

## **Wellness Programs and Rewards: Changes for Plan Years Beginning on or after January 1, 2014**

**Updated 08/21/13**

Final regulations on non-discrimination in wellness programs and rewards for group health plans were issued on May 29, 2013 by the Departments of Treasury, Labor, Health and Human Services. These regulations apply to insured and self-insured group plans, both grandfathered and non-grandfathered, for plan years beginning on or after January 1, 2014.

The final regulations increased the maximum wellness reward amounts that will be allowed. The maximum reward is a total of all rewards available under a plan.

- Maximum reward: 30 percent of the total cost of medical coverage, including both employer and employee contributions.
- Maximum total reward may be increased to 50 percent for programs that include tobacco related incentives.
- Rewards can take many forms, such as premium discounts, reduced cost sharing, enhanced benefits, gift cards or deposits to Health Savings Accounts or Health Reimbursement Accounts, as well as surcharges or other disincentives.
- An opportunity to earn the full reward must be available at least once per year to all similarly situated individuals.
- If family members participate in wellness programs, the reward can be based on the total cost of coverage for all covered family members. If some family members are eligible for the reward and others are not, employers have flexibility in determining the portion of the reward attributable to each family member.

### **Two types of Wellness Programs: Participatory and Health-Contingent**

#### **1. Participatory**

Participatory Wellness program rewards are based only on participation, not on meeting specific health standards. Examples of these types of programs include health club discounts or rewards for completing a health assessment without regard to outcomes. There are no limits on the rewards for Participatory Wellness programs.

#### **2. Health-Contingent**

Health-Contingent Wellness programs require individuals to meet a health standard or complete a health program to receive a reward. Every individual eligible for the program must be given an opportunity to qualify for the reward once a year. The reward cannot exceed the maximum amounts noted above.

Health-Contingent programs may be (a) Activity-Only programs or (b) Outcome-Based programs.

### **(a) Activity-Only**

- Individuals are rewarded for completing a program such as a walking, diet, or exercise program.
- Individuals are not required to achieve a specific result such as losing weight to earn the reward.
- A physician may provide verification that a medical condition makes it unreasonably difficult or medically inadvisable for a person to perform the activity.

### **(b) Outcome-Based**

- Individuals are required to achieve a health outcome such as a specific blood pressure or BMI level to receive the reward.
- Individuals who do not meet the required standard must be allowed to take alternative steps such as working with a health coach or completing a health improvement plan to receive the reward.
- Individuals may work with their physicians to request an appropriate alternative but physician verification of a medical condition cannot be required for Outcome-Based programs.

## **Reasonable Alternative Standards**

If an individual does not qualify for a Health-Contingent reward, a reasonable alternative standard or waiver must be available.

- For Activity-Only programs, a reasonable alternative for obtaining the reward must be provided if it is unreasonably difficult due to a medical condition or medically inadvisable for an individual to attempt to complete the activity.
- For Outcome-Based programs, a reasonable alternative must be provided to all individuals who do not meet the initial standard.

As an example, a reasonable alternative for an individual who failed to meet a BMI standard might be participation in a weight loss program or the requirement to reduce BMI by a small amount or percentage over a year's time.

Any materials provided to employees that describe wellness programs must include information about the availability of reasonable alternatives and contact information to request an alternative. Reasonable alternatives do not need to be defined in advance and can be determined on an individual basis.

We encourage you to bookmark Cigna's health care reform website, [InformedOnReform.com](http://InformedOnReform.com).

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